

Message Text

SECRET

PAGE 01 THE HA 05192 281057Z

11

ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 SCEM-02 L-03 H-03 INT-08 DRC-01 /169 W

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P R 281008Z NOV 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC PRIORITY 2450

INFO AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY ROME

USMISSION NATO

S E C R E T THE HAGUE 5192

E.O. 11652: GDS

TAGS: ENRG, NL

SUBJECT: DUTCH OIL SITUATION

1. CHARGE AND ECON COUNSELOR HAD LUNCHEON NOV 27 WITH CHEVRON
MANAGING DIRECTOR PILIERO FROM WHICH FOLLOWING FACTS AND
ASSESSMENTS ON DUTCH OIL SITUATION EMERGED.

2. PILIERO, WHO ATTENDED MEETING OF LOCAL OIL COMPANY EXECUTIVES
AND MINECON OFFICIALS NOV 22, DESCRIBED PRESENT DUTCH PETROLEUM
OUTLOOK IN GRIM TERMS. HE SAID, AND REITERATED, THAT SITUATION
IS "DETERIORATING." WHILE THERE IS STILL SOME CRUDE ON THE HIGH

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PAGE 02 THE HA 05192 281057Z

SEAS EN ROUTE TO ROTTERDAM, PROSPECT OF OIL DIVERSIONS OR

SWAPS TO FRUSTRATE ARAB OIL EMBARGO AGAINST NETHS IS HIGHLY UNPROMISING. CONTROL SYSTEMS OF SAUDI ARABIA, KUWAIT AND OTHER COUNTRIES ARE SHILLFULLY CONCEIVED AND EFFECTIVELY EXECUTED SO THAT COMPANIES ARE EXTREMELY RELUCTANT TO TAKE CHANCES IN ATTEMPTING TO DIVERT CRUDE TO ROTTERDAM. THIS WOULD IN ANY CASE BE DIFFICULT BECAUSE OF ESTABLISHED CONSUMER PATTERNS ELSEWHERE. THUS INFLOW OF CRUDE FROM SOURCES OTHER THAN IRAN AND NIGERIAL CAN BE EXPECTED TO DRY UP ALMOST COMPLETELY WITHIN DAYS.

3. ASSUMING THAT VOLUNTARY AND MANDATORY RESTRAINT MEASURES IN NETHERLANDS AND TRADITIONAL NEARBY MARKETS ARE SUCCESSFUL IN ACHIEVING AVERAGE DECLINE IN DEMAND OF 25 PERCENT, WHICH IS GON OBJECTIVE, ROTTERDAM REFINERIES WILL BE DOWN TO MINIMUM 65-DAY RESERVE REQUIREMENT ON APPROXIMATELY FOLLOWING SCHEDULE (DEPENDING ON CORPORATE DECISIONS RE RATE OF THROUGHPUT):
CHEVRON - MID-JANUARY; ESSO, GULF, MOBIL, TEXACO - END MARCH;
SHELL, BP - LATE SPRING.

4. DECISION WHETHER TO CONTINUE REFINING AFTER MINIMUM STOCK LEVELS REACHED WOULD BE MATTER FOR DISCUSSION BETWEEN GON AND COMPANIES, PRESUMABLY IN CONSULTATION WITH NATO PARTNERS. PILIERO'S PERSONAL VIEW IS THAT REFINING SHOULD CEASE WHEN 65-DAY MINIMUM IS REACHED AS THESE STOCKS WOULD BE EXTREMELY DIFFICULT TO RECONSTITUTE EVEN AFTER A PEACE SETTLEMENT.

5. IN THIS SITUATION GON IS CURRENTLY IN PROCESS OF ESTABLISHING PRIORITY GRADING SYSTEM FOR VARIOUS CLASSES OF CONSUMERS BASED LARGELY ON THEIR IMPORTANCE TO EMPLOYMENT LEVELS AND ECONOMY AS WHOLE. BASIC INDUSTRIES SUCH AS STEEL AND POWER ARE EXPECTED TO GET HIGHEST PRIORITY (I.E. CUTBACKS OF SOMETHING LESS THAN 25 PERCENT) WHILE SECONDARY INDUSTRIES AND MOTORISTS MIGHT BE CUT BACK MORE THAN 25 PERCENT. ONCE THIS PRIORITY SYSTEM IS DEVELOPED REFINERIES WILL AGREE ON OPTIMUM PRODUCT MIX TO MEET EXPORT AND DOMESTIC DEMANDS BY PRIORITY CATEGORY.

6. PILIERO EXPRESSED HIS PERSONAL VIEW THAT GASOLINE RATIONING WILL BE IMPOSED IN NETHS ON OR ABOUT DEC 17 WITH A FIXED NUMBER OF LITERS PER MONT PER VEHICLE BASED ON CUT IN GASOLINE DELIVERIES TO RETAILERS OF ABOUT 55 PERCENT. PILIERO FAVORS SETTING THIS BASIC CONSUMER RATION AT NO MORE THAN 40-50 LITERS PER MONTH

SECRET

SECRET

PAGE 03 THE HA 05192 281057Z

IRRESPECTIVE OF SIZE OF VEHICLE. PUBLIC TRANSPORTATION AND ESENTIAL SERVICES WOULD GET SPECIAL TREATMENT.

7. AS GENERAL COMMENT PILIERO WAS CRITICAL OF DUTCH AUTHORITIES FOR TAKING OVER-RELAXED VIEW OF THEIR PROBLEM AND ASSUMING HIGHER LEVEL OF THROUGHPUT THAN CAN REALISTICALLY BE EXPECTED. HE GAVE GON CREDIT, HOWEVER, FOR STICKING TO ITS GUNS IN ATTEMPTING TO MAINTAIN SUPPLIES TO TRADITIONAL EXPORT CUSTOMERS ON

PARI PASSU BASIS AND THOUGHT THAT THIS POLICY WOULD BE ADHERED
TO UNTIL SITUATION GETS SUBSTANTIALLY MORE SERIOUS OR UNWILLING-
NESS OF EC PARTNERS TO HELP NETHS BECOMES MANIFEST.
TANGUY

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